

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank:

The Ottoville Bank Company
043947900000
P.O. Box 459
Ottoville, Ohio 45876

Supervisory Agency:

Federal Reserve Bank of Cleveland
P.O. Box 6387
Cleveland, Ohio 44101-1387

NOTE:

This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act ("CRA") performance of The Ottoville Bank Company, Ottoville, Ohio, prepared by The Federal Reserve Bank of Cleveland, the institution's supervisory agency, as of February 23, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory."

Several factors support The Ottoville Bank Company ("OB") satisfactory rating. First, the bank maintains a reasonable loan-to-deposit ratio. Second, the bank has made a majority number of its loans within its assessment area. Third, based on an analysis of the bank's loans, the bank lends to borrowers of many different income levels and to small businesses. Finally, the geographic distribution of the bank's loans is reasonable.

DESCRIPTION OF INSTITUTION

Based on its size and financial condition, the bank effectively meets the credit needs of the assessment area. The bank operates one full-service office in Ottoville, Ohio. In addition, the bank has an automated teller machine ("ATM") in Ottoville, Ohio, with 24-hour access. The bank received a satisfactory rating at its last CRA evaluation.

According to the December 31, 1997, Report of Condition ("ROC"), the bank had total assets of approximately \$44.4 million. Since June 30, 1996, the bank's loans and deposits have increased by approximately \$3.9 million and \$3.2 million respectively. In addition, the bank's total assets increased by approximately \$7.5 million. The bank's average loan-to-deposit ratio since June 1996 is about 64.5%. Its loan-to-deposit ratio as of December 31, 1996, has increased slightly since the last CRA evaluation. The bank's loan portfolio is comprised of approximately 53% consumer real estate, 10% consumer, 16% commercial, 20% agriculture, and 1% other loans. The composition of the bank's loan portfolio reflects the level of demand for specific types of loans by members of the assessment area.

The bank offers a variety of loan products to fulfill the credit needs of residents and businesses within its assessment area. It extends consumer open- and closed-end, residential real estate, agricultural, and commercial loans.

DESCRIPTION OF THE OTTOVILLE BANK COMPANY ASSESSMENT AREA

The bank's assessment area is defined as Southwest Putnam County. Specifically block

numbering areas ("BNA") 302.00 and 307.00. The BNAs include no low-income, no moderate-income, 1 middle-income (302.00), and 1 upper-income (307.00) areas. There are no metropolitan statistical areas in the bank's assessment area.

According to 1990 census data, the population for the assessment area is 10,739. The population of the city of Ottoville, Ohio, is approximately 1,200.

CRA divides income levels into four categories: low, moderate, middle, and upper income.

Because the bank's assessment area is not located in a metropolitan statistical area, the categorization of a borrower or BNA's income is determined relative to the statewide nonmetropolitan median family income. Pursuant to CRA's definitions, low-income individuals have incomes of less than 50% of the statewide nonmetropolitan median family income, while moderate-income borrowers have incomes of at least 50% but less than 80% of this amount. The regulation defines a middle-income borrower as one with an income of at least 80% but less than 120% of the statewide nonmetropolitan family income.

A borrower with an income that is at least 120% or more of the statewide nonmetropolitan family income is considered upper income. BNAs and census tracts are classified using similar categories based on the level of median family income in the geography.

As of the 1990 census, the median family income for the assessment area is \$36,967. According to 1990 census data, the statewide nonmetropolitan median family income in Ohio is \$30,563. There are 52,268 families and 69,050 households in the assessment area. Based on 1990 census data, the median household income for the assessment area is \$32,297. Ohio's nonmetropolitan median household income is \$25,910. Approximately 5.2% of the families and 7% of the households in the assessment area have incomes below the poverty level.

The chart below shows the assessment area's population distribution by tract income level.

**POPULATION DISTRIBUTION
BY CENSUS TRACT OR BNA INCOME LEVEL**

	Population	Percentage
Low income	0	0
Moderate Income	0	0
Middle Income	5,987	55.8
Upper Income	4,752	44.2

The distribution of household and family income for the assessment area is summarized in the following table:

ASSESSMENT AREA POPULATION BY INCOME LEVEL

Unit of Measure	Low	Moderate	Middle	Upper
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	Income	Income	Income	Income
Percentage of Households Compared to Median Household Income	0	0	56	44
Percentage of Families Compared to Median Family Income	0	0	56	44

Examiners contacted one government official as part of the bank's CRA evaluation. Information from this contact was used to evaluate the bank's CRA performance.

According to the community contact and bank management, the economy in the bank's assessment area is experiencing strong and steady economic growth. The local economy continues to rely on agriculture (livestock and crops).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance in meeting the credit needs in its assessment area is considered satisfactory. The following criteria was analyzed to determine this rating.

LOAN TO DEPOSIT RATIO ANALYSIS

The bank's loan-to-deposit ratio is reasonable and, as such, meets the standards for satisfactory performance. The quarterly average of the bank's loan-to-deposit ratio is approximately 64.5% since the previous evaluation. The following chart, based on quarterly ROC data, shows that the bank's ratio has ranged from 61.9% to 68.1% since the previous CRA evaluation. The loan-to-deposit fluctuations are primarily caused by seasonal borrowings (loan volume increases) and loan paydowns (loan volume decreases). The bank's net loan-to-deposit ratio increased by approximately 6.2% since the last CRA evaluation.

Date	Net Loans (In thousands)	Deposits (In thousands)	Loan to Deposit Ratio
June 30, 1996	\$17,384	\$28,075	61.9%
September 30, 1996	\$18,732	\$28,732	65.1%
December 31, 1996	\$19,449	\$30,451	63.8%
March 31, 1997	\$19,122	\$30,169	63.3%
June 30, 1997	\$20,051	\$30,899	64.8%
September 30, 1997	\$21,004	\$32,466	64.6%
December 31, 1997	\$21,356	\$31,359	68.1%

OB faces competition from other financial institutions in its assessment area for consumer loans and deposits. Based on loan demand and the lack of any identified unmet credit needs, the bank's loan-to-deposit ratio meets the standards for satisfactory performance.

COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE THE ASSESSMENT AREA

A review of a statistical sample of the loans originated by the bank since the last CRA evaluation reveals that a majority of its loans were made inside its assessment area. This level of concentration in the assessment area meets standards for satisfactory performance.

LENDING TO BORROWERS OF DIFFERENT INCOME LEVELS AND TO BUSINESSES OF DIFFERENT SIZES

The bank's record of lending to borrowers of different income levels is more than satisfactory and, as such, exceeds the standards for satisfactory performance. The bank provides consumer and motor vehicle loans to individuals of all different income categories.

The bank originated 95.5% of its consumer loans to low- and moderate-income individuals. Consumer loans comprise approximately 10% of the bank's total loan portfolio. This level of consumer lending exceeds standards. As previously discussed under the Description of Institution section, none of the assessment area's households have low- and moderate-incomes. The bank's consumer lending to low- and moderate-income individuals exceeds satisfactory standards. The remaining consumer loans are divided between middle- and upper-income categories.

Most of the bank's commercial and agricultural borrowers are small businesses. In fact, 71% of small business loans sampled went to borrowers with gross annual revenues of \$1 million or less. The size and volume of the loans appear reasonable. Based on the CRA sample, 62% of the small business loans had amounts less than or equal to \$100,000. The bank's emphasis on small business lending, which represents 36% of the bank's loan portfolio, together with consumer loans to low- and moderate-income borrowers, demonstrates a commitment to meeting the credit needs of all segments of the community and exceeds the standards for satisfactory performance.

GEOGRAPHIC DISTRIBUTION OF LOANS

The distribution of the bank's loans between geographies of different income levels in its assessment area is reasonable. As previously discussed, the bank's assessment area includes no low- and moderate-income tracts, 1 middle-income, and 1 upper-income tracts. Approximately 56% of the population reside in the middle-income tract, and the remaining 44% reside in the upper-income tract. As the following chart indicates, the bank's lending patterns mirror this distribution.

DISTRIBUTION OF LOANS IN THE ASSESSMENT AREA BY BNA OR CENSUS TRACT INCOME LEVEL

Loan Type	Low/Mod Income	Middle Income	Upper Income
CONSUMER/MOTOR VEHICLE			
Total Number of Loans	3.4%	44.8%	51.7%
Total Amount of Loans	1.1%	58.5%	40.4%

As shown above, the percentages of consumer/motor vehicle loans in the income tracts closely approximates the percentage of assessment area residents living in these tracts. Analysis of commercial loans also reveals that these loans closely approximate the percentage of area residents living in these tracts. The number and dollar volume of consumer/motor vehicle and commercial loans closely approximate the population percentages for the BNAs. As such, the bank's geographic distribution of loans is reasonable and, thus, meets the standards for satisfactory performance.

General Comments

The evaluation did not reveal any practices that are inconsistent with the substantive provisions of the fair lending and fair housing laws and regulations. In addition, the bank has not received any CRA complaints since the previous evaluation.